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Schroder Japan Trust PLC
14 April 2025

Schroder Japan Trust plc

Half Year Report

Schroder Japan Trust plc (the "Company") hereby submits its Half Year Report for the six months ended 31 January 2025 as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.2.

Key highlights

- The Company achieved a net asset value ("NAV") total return of 4.0%, surpassing the Benchmark return of 1.4%.
- The Board previously announced that it was adopting an enhanced dividend policy to pay out 4% of the average NAV in each financial year, on quarterly basis.
- The Investment Manager actively geared the portfolio using contracts for difference ("CFDs") and this gearing had a positive effect on performance during the period. The gearing level (including CFDs) at the period end was 15.3%.
- The underlying fundamentals of the Japanese equity market remain strong, with corporate governance reforms continuing to gain momentum. We expect improved shareholder returns to further enhance Japan's appeal.
- The portfolio is biased towards value opportunities and is overweight small and mid-cap stocks, where we believe valuations look particularly attractive, given the improving domestic economic backdrop.

Philip Kay, Chairman of Schroder Japan Trust plc, commented:

"The Board is confident that Japan remains a compelling investment opportunity. We believe that Masaki Taketsume, supported by his team of Tokyo-based research analysts, continues to be very well-placed to outperform the Company's Benchmark, as he has done for the last five years. The bias towards value that is inherent in his approach combined with his disciplined bottom-up stock picking is precisely the strategy that should perform well in uncertain times."

The Half Year Report is also being published in hard copy format and an electronic copy of that document will shortly be available to download from the Company's web pages: www.schroders.com/japantrust

The Company has submitted a copy of its Half Year Report to the National Storage Mechanism and it will shortly be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism

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Half Year Report for the six months ended 31 January 2025

CHAIRMAN'S STATEMENT

PERFORMANCE

I am pleased to report that our Investment Manager's strategy has continued to deliver a solid performance over the six-month period ending 31 January 2025. The Company achieved a net asset value ("NAV") total return of 4.0%, surpassing the Benchmark return of 1.4%. The share price delivered a total return of 3.2%. While the financial year began with a sharp market correction following an unexpected interest rate hike from the Bank of Japan ("BOJ"), resilient corporate fundamentals and stabilising conditions enabled a recovery throughout the remainder of the period.

Masaki Taketsume's disciplined approach to stock selection proved effective once again, with strong contributions from holdings exposed to the generative artificial intelligence ("AI") value chain and continuing corporate governance reforms.

More details on the Company's investment strategy and recent portfolio activity can be found in the Investment Manager's Review.

DISCOUNT MANAGEMENT

During the period, the Company's shares continued to trade at a discount to NAV. The Board exercised its buy-back authority to acquire 1,617,260 shares to be held in treasury, at an average discount of 12.5%. The discount started at 11.0% and changed to 12.3% by period-end. We remain committed to monitoring and addressing the discount through share repurchases as appropriate.

ENHANCED DIVIDEND POLICY

The Board previously announced that it was adopting an enhanced dividend policy to pay out 4% of the average NAV in each financial year. The Board has begun declaring dividends on a quarterly basis and, in calculating the NAV in relation to quarterly dividends, the average NAV of the 12 months trailing the quarter will be used. It is important to note that the enhanced dividend policy will not result in a change to the Company's investment approach and strategy. The Company's focus will continue to be on well-managed, high-quality companies where the current share price does not yet fully reflect their potential, across the complete spectrum of Japanese companies.

GEARING
At the 2023 AGM, shareholders approved a change of the investment policy to allow the Company to use contracts for difference ("CFDs") to provide exposure to Japanese equities on a geared basis, as an alternative to utilising bank borrowings. During the period under review, the Investment Manager actively geared the portfolio by using CFDs and this gearing had a positive effect on performance during the period. The Company's gearing continues to operate within its pre-agreed limit of 125% of NAV and the gearing level (including CFDs) at the period end was 15.3%.

OUTLOOK
The Japanese equity market has performed well over the last couple of years, with the Nikkei 225 surpassing its bubble-era high from the late 1980s. The Board shares the Investment Manager's optimism that this marks the start of an exciting new phase for the Japanese stock market, supported by structural improvements in corporate governance and capital efficiency. It is clear that the Japanese government, the BOJ and the Tokyo Stock Exchange ("TSE") are as one in championing these improvements and that large sections of corporate Japan are now focusing on effective capital allocation and profitability increases. Japan's economic backdrop also remains supportive, with rising wages, increased business investment and positive inflation helping to sustain earnings momentum.

Although the world faces several geopolitical and macroeconomic uncertainties at the time of writing, not least the economic impact of the introduction of tariffs by an unpredictable Trump administration, the Board is confident that Japan remains a compelling investment opportunity We believe that Masaki Taketsume, supported by his team of Tokyo-based research analysts, continues to be very well-placed to outperform the Company's Benchmark, as he has done for the last five years. The bias towards value that is inherent in his approach combined with his disciplined bottom-up stock picking is precisely the strategy that should perform well in uncertain times.

PHILIP KAY
Chairman
11 April 2025

INVESTMENT MANAGER'S REVIEW

OUR INVESTMENT APPROACH
We believe the Japanese equity market ultimately acts efficiently in reflecting the intrinsic value of companies. In the short-to-medium term, however, considerable inefficiencies are frequently evident in individual stocks. These inefficiencies provide repeatable opportunities to identify and invest in undervalued stocks, with the aim of delivering a better return than the market as a whole on a rolling three-to-five year view.

Our investment resource is entirely devoted to this aim, focusing on individual company fundamentals to understand the true worth of a stock and investing in a portfolio of 60-70 of the highest conviction ideas. These then tend to be held for the long term, with value being realised as the market gradually reflects their true value more efficiently.

Portfolio holdings tend to fall into three categories of inefficiency:

1. **Market misperception** - companies with self-improving credentials, with management initiatives to sustainably enhance operational performance being under-appreciated by other investors.

2. **Market oversight** - undervalued companies, especially among small and mid-caps where research coverage is less widespread, with strong and defendable business franchises in niche product areas.

3. **Short-term overreaction** - ideas arising from abrupt but transitory events which push valuations of quality companies temporarily to unsustainably low levels.

Outside these three categories, the balance of the portfolio represents "**best in class**" stocks with reasonable valuations. The weighting given to each of these segments evolves over time, but a reasonable exposure to each category ensures a good level of diversification for the portfolio as a whole. Meanwhile, the approach tends to result in a bias towards value stocks[1] and smaller companies, as well as an overall focus on quality.

The portfolio tends to exhibit a high "active share", which means that its constituents deviate significantly from the Benchmark index. Gearing (financial leverage) typically ranges between 10% and 17.5%, allowing shareholders to potentially benefit even more as the inefficiencies we have identified become more appropriately priced by the market.

MANAGER'S REVIEW
Over the first six months of the Company's financial year, the Company's NAV total return increased by 4.0%, while its benchmark rose by 1.4%.

The Japanese stock market experienced a significant decline at the beginning of the period under review, with an unexpected interest rate hike from the BOJ triggering strength in the Yen and a sudden unwinding of carry trades.[2] Global growth concerns added to the volatility, but resilient corporate fundamentals and stabilising market conditions supported a steady recovery throughout the remainder of the period.

RECENT PERFORMANCE DRIVERS
Despite macroeconomic uncertainties - including the BOJ's evolving monetary policy outlook, the US presidential election outcome and the US economic outlook - which contributed to volatility in the Japanese equity market, the structural trends that have supported Japan's recent renaissance continued. Ongoing efforts by regulators and investors to change the culture of corporate Japan and improve governance and company profitability have maintained their strong momentum. With more and more businesses stepping up their efforts to structurally improve their behaviour and returns, global investors are becoming increasingly confident in the opportunity to drive a meaningful and sustainable revaluation of the Japanese equity market.

Meanwhile, although domestic consumer spending has remained lacklustre, the overall Japanese economic performance has been robust, helped by positive inflation, rising wages, increased business investment and export growth. This has allowed many Japanese businesses to maintain solid earnings growth.

1 The term 'value stocks' refers to shares of a company that appear to trade at a lower price relative to their fundamentals, such as dividends, earnings, or sales, making it appealing to value investors.
2 Carry trades involve borrowing money in a low interest rate currency such as the yen, to invest in higher-yielding currencies or assets. The strategy profits from the rate differential but can be undermined by sudden, unexpected changes in foreign exchange and interest rates.

Within the market, value stocks continued to outperform growth stocks, which assisted the Company's performance given the bias towards value that is inherent in our investment approach. Smaller companies, however, generally lagged their larger counterparts, because inflows from overseas investors initially tend to focus on large-cap stocks. This underperformance of small-cap stocks represented a modest headwind. There was a beneficial impact from gearing and helpful contributions from a range of individual stocks as explained below.

Two key developments contributed positively to performance during the period. Firstly, ongoing investor enthusiasm for the boom in generative AI technologies has driven outperformance of related stocks including, but not limited to, providers of semiconductor manufacturing equipment, optical components and power grid infrastructure. The portfolio's exposure to these types of businesses added value during the period. We tend to view these companies as **market misperception** stocks, as the market has not yet fully reflected their ability to participate in the AI growth opportunity. For example, Fujikura, an optical cable / component maker, performed strongly as the market started to realise how important its advanced optical connectivity solutions could be for AI infrastructure. Meanwhile, Hitachi, a large cap industrial conglomerate, also performed strongly as investors increasingly recognised the growth potential of its power grid business.

Secondly, ongoing improvements in corporate governance standards were evident in the increasing use of share buybacks and dividend hikes as companies sought to deploy capital more effectively. The portfolio benefited from this trend, with holdings such as Sanki Engineering and Nittera delivering strong performance after significantly improving shareholder returns.

By contrast, some of our holdings faced earnings pressure as their end markets went through a period of destocking and lower demand. For example, our **market misperception** holdings in electronic component maker Rohm and chemical business Mitsui Chemicals, both underperformed after posting weaker-than-expected earnings. General weakness in small and mid-sized stocks, such as Tazmo and Fukushima Galilei, also detracted from performance.

TOP 10 CONTRIBUTORS AND DETRACTORS
Six months to 31 January 2025

Top 10 contributors	Portfolio weight	Benchmark weight	Portfolio return	Benchmark return	Total effect
Fujikura Ltd	2.8%	0.2%	108.0%	107.7%	1.9%
Hitachi Ltd	5.3%	2.5%	20.3%	20.5%	0.6%
Sanki Engineering Ltd	1.7%	0.0%	36.3%	35.7%	0.5%
Daiichi Sankyo Ltd	0.0%	1.2%	0.0%	-29.8%	0.4%
Shin Etsu Chemical Ltd	0.0%	1.3%	0.0%	-26.9%	0.4%
Ricoh Ltd	1.9%	0.1%	28.4%	28.4%	0.4%
Mitsubishi Corp	0.0%	1.5%	0.0%	-19.4%	0.3%
Nec Networks & System Integration Corp	0.8%	0.0%	20.4%	20.6%	0.3%
Niterra Ltd	2.0%	0.1%	16.3%	16.2%	0.3%
Ly Corp	1.7%	0.2%	22.5%	22.5%	0.3%

Top 10 detractors	Portfolio weight	Benchmark weight	Portfolio return	Benchmark return	Total effect
Sony Group Corp	0.0%	2.7%	0.0%	28.1%	-0.7%
Mitsubishi UFJ Financial Group Inc	0.0%	2.7%	0.0%	15.2%	-0.4%
Rohm Ltd	1.1%	0.1%	-26.0%	-26.1%	-0.4%
Tazmo Ltd	1.0%	0.0%	-32.3%	-33.0%	-0.4%
Mitsui Chemicals Inc	1.5%	0.1%	-20.3%	-20.4%	-0.3%
Nintendo Ltd	0.0%	1.4%	0.0%	23.3%	-0.3%
Fukushima Galilei Ltd	1.0%	0.0%	-21.6%	-21.5%	-0.3%
Tokio Marine Holdings Inc	3.2%	1.4%	-13.3%	-12.9%	-0.3%
Orix Corp	2.9%	0.5%	-8.2%	-8.5%	-0.2%
Kokusai Electric Corp	0.4%	0.0%	-32.2%	-41.4%	-0.2%

Source: FactSet, GBP, TOPIX. Stocks mentioned are show for illustrative purposes only and should not be viewed as a recommendation to buy/sell. Past performance is not a guide to future performance and may not be repeated. The value of investment can go down as well as up and is not guaranteed. The return may increase or decrease as a result of currency fluctuations.

PORTFOLIO STRATEGY
Currently, the biggest category within the portfolio is **market misperception** which accounts for approximately 40% of assets. This includes companies such as Nippon Steel, Japan Post Holdings, and Rohm, where management efforts are paving the way for sustainable improvements in returns which are not yet reflected in valuations.

For example, we expect to see profitability improvements from Japan Post as it implements price increases in its postal services division. A cyclical recovery should also benefit its financial subsidiaries, Yucho Bank and Kampo Life. Additionally, we expect management to enhance shareholder returns, though regulatory constraints and complex stakeholder relationships could hinder progress. This represents a classic **market misperception** opportunity, as these improving fundamentals have not yet been fully priced into the stock.

Almost 30% of the portfolio is in **market oversights**, such as Fukushima Galilei, Hosokawa Micron and Kohoku Kogyo, where we find highly competitive smaller businesses trading at a significant discount to their large cap and global peers. For example, Kohoku Kogyo's two main businesses - lead terminals and optical components - are experiencing rapid growth. Demand for its lead terminals, which are used in high-end capacitors, is rising as the expansion of electric and electrified vehicles drives the need for more advanced electronic components. Meanwhile, its optical components business is benefiting from surging global data traffic, which is prompting increased investment in subsea optical networks. Despite these strong and sustainable tailwinds, we believe its shares continue to trade at an unwarranted discount to similar companies worldwide.

Around 10% of the portfolio is invested in **short-term overreactions**, including out-of-favour technology opportunities such as Recruit Holdings and the frozen food maker Nichirei Corporation. These businesses are beneficiaries of long-term structural tailwinds, but their shares were sold down aggressively - in our view, too aggressively - over the last couple of years. Nichirei Corporation, a leading frozen food and cold chain logistics provider in Japan, is well positioned to capture structural demand growth driven by labour shortages in B2B categories and lifestyle changes in B2C categories. The company's profitability was temporarily pressured by Yen depreciation, which led to higher raw material costs. However, these costs have been passed on to customers through price increase, with little impact on underlying volume growth. Despite this, the company's valuation has contracted significantly, leading to what we consider to be an attractive entry point.

The remaining portfolio is invested in what we consider to be **best in class** operators, such as Sumitomo Mitsui Financial Group, Asahi Breweries and Orix.

From a sector perspective, this results in a bias towards machinery, glass & ceramic products, chemicals and services. As is typical, the portfolio is also biased towards value opportunities and overweight to small and mid-cap stocks, where we believe valuations look particularly attractive given the improving domestic economic backdrop.

SECTOR POSITIONS - TOP 10 AND BOTTOM 10
Schroder Japan Trust plc
As at 31 January 2025

Source: Schroders, FactSet. [1]TOPIX.
The accounting data used by FactSet is un-audited, therefore any subsequent cleaning data will not be reflected in FactSet. The sectors, securities, regions and countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy or sell.

PORTFOLIO ACTIVITY
We initiated a new **market misperception** position in Mizuho Financial. Due to a series of mis-executions in the past, Mizuho has been seen as a laggard on returns and shareholder remunerations, when compared to other Japanese 'mega' bank groups such as MUFG and SMFG. We have held a series of meetings with Mizuho management and have been closely following their recent track record. In our view, Mizuho's strategic discipline has improved significantly and its business qualities are now, in several respects, on a par with peers. From here, attempts to further narrow the performance gap on return on equity and shareholder remunerations, should lead to a meaningful share price revaluation.

We also initiated a position in network / system integrator, Internet Initiative Japan ("IIJ"), as a new **market oversight** idea. We expect IIJ's growth to accelerate as more businesses upgrade and expand their enterprise networks to meet the increasingly complex demands of the modern digital organisation. We also anticipate a recovery in profit growth in the near term, as the temporary impact of higher software licensing costs, specifically from key partner VMware, fades.

Fanuc, one of the largest manufacturers of factory automation equipment and industrial robots, was added to the portfolio as a **best in class** stock. It holds a leading market position in the US industrial robotics market and we expect rising manufacturing capital expenditure to drive strong earnings growth. The recent share price weakness, driven by concerns over potential U.S. tariffs, provided an opportunity to build a position. These tariffs are unlikely to have a meaningful impact on Fanuc's competitiveness, as nearly all major robotics manufacturers are non-U.S. companies. Furthermore, with fixed costs peaking, Fanuc should see meaningful profitability improvements alongside higher revenue growth.

In terms of exits, we sold out of several positions including SMC, AGC and Bridgestone, mainly due to weaker-than-expected earnings progress. We also sold out of positions in Mimasu Semiconductor and NEC Networks & System Integrations, both of which are being fully acquired by their respective parent companies, reflecting Japan's ongoing corporate governance improvements. Both acquisitions were made at all-time high prices.

OUTLOOK
The Japanese equity market has delivered impressive growth over the last eighteen months, with the Nikkei 225 finally exceeding its late 1980s bubble-era high. We believe this marks the beginning of a new era for Japanese equities, underpinned by structural improvements that have the capacity to drive sustained earnings growth and rising valuations for many years.

At the heart of this positive investment thesis are Japan's increasingly widespread corporate governance reforms, which are enhancing profitability and capital efficiency across large swathes of the Japanese stock market. The ongoing efforts of investors, including activist shareholders, alongside TSE initiatives, are further encouraging corporate management teams to focus on the crucial discipline of effective capital allocation. This corporate governance movement is nothing short of a revolution, which is transforming the Japanese equity landscape, making it increasingly attractive to global investors.

From a macroeconomic perspective, Japan's transition from deflation to inflation is having a lasting impact on corporate earnings, particularly by strengthening pricing power. Wage growth has remained steady, and early indications from the Shunto spring wage negotiations suggest that 2025 could bring another positive uplift in pay. We believe this should support real income growth and, in turn, drive a long-awaited recovery in consumption.

Following the historic year of 2024, in which the Nikkei 225 surpassed its previous all-time high for the first time in 34 years, the Japanese equity market experienced a weak start to 2025, largely due to various macroeconomic concerns, including trade policy uncertainties under the Trump administration. At the time of writing, the tariffs proposed by the US administration have effectively reset the narrative for global equity markets, shifting the outlook toward one characterised by slower economic growth, higher inflation, and increased uncertainty surrounding U.S. economic policies - arguably one of the most unfavourable combinations for global equity markets, including Japan.

Despite this, the underlying fundamentals of the Japanese equity market remain strong. Governance reforms continue to gain momentum, and we expect improved shareholder returns to further enhance Japan's appeal. While the broad market opportunity is compelling, this environment should particularly favour active, high-conviction investors who can identify the strongest beneficiaries of Japan's evolving corporate landscape. As a result, we are excited about the opportunity that lies ahead for the Company's shareholders.

MASAKI TAKETSUME

MASAKI TAKETSUME
Portfolio Manager
11 April 2025

INVESTMENT PORTFOLIO
AS AT 31 JANUARY 2025

Stocks in bold are the 20 largest investments, which by portfolio exposure account for 51.5% (31 July 2024: 52.5% and 31 January 2024: 52.1%) of total investments.

The Portfolio Exposure indicate the impact on market price movements resulting from the ownership of shares and derivative instruments. The Fair Value represents the true value of the portfolio, which is reflected on the Balance Sheet. In the case of holding a Contract for Difference (CFD), the Fair Value reflects the profit or loss generated by the contract since its inception, based on the movement of the underlying share price. However, when the Company solely holds shares, both the Fair Value and the Portfolio Exposure align.

	Fair Value	Portfolio Exposure	
	£'000	£'000	%[1]
Electrical Appliances			
Hitachi (shares and long CFD)	11,170	20,704	5.2
Ricoh	7,546	7,546	1.9
TDK	5,949	5,949	1.5
Fanuc	5,031	5,031	1.3
Nihon Kohden	4,730	4,730	1.2
Rohm	4,084	4,084	1.0
Kohoku Kogyo	3,747	3,747	1.0
Ibiden	3,460	3,460	0.9
Megachips	2,820	2,820	0.7
Total Electrical Appliances	48,537	58,071	14.7
Machinery			
Miura	7,965	7,965	2.0
Disco	5,953	5,953	1.5
Hosokawa Micron	5,361	5,361	1.4
Teikoku Piston Rings	4,072	4,072	1.0
Amada	3,759	3,759	1.0
Fukushima Galilei	3,650	3,650	0.9
Rheon Automatic Machinery	3,435	3,435	0.9
Tazmo	2,934	2,934	0.7
Total Machinery	37,129	37,129	9.4
Information and Communication			
Nippon Telegraph and Telephone (shares and long CFD)	3,556	8,232	2.1
LY	7,163	7,163	1.8
WingArc1st	5,637	5,637	1.4
Nomura Research Institute	5,402	5,402	1.4
Otsuka	4,113	4,113	1.0
Internet Initiative Japan	3,243	3,243	0.8
Total Information and Communication	29,114	33,790	8.5
Banks			
Sumitomo Mitsui Financial (shares and long CFD)	8,130	16,326	4.1
Mizuho Financial (Shares and long CFD)	5,663	10,319	2.7
Concordia Financial	6,879	6,879	1.7
Total Banks	20,672	33,524	8.5

	Fair Value	Portfolio Exposure	
	£'000	£'000	%[1]
Transportation Equipment			
Toyota Motor (shares and long CFD)	3,090	18,865	4.8
Toyota Industries	5,000	5,000	1.2
Yamaha Motor	4,527	4,527	1.1
Suzuki Motor	4,258	4,258	1.1
Total Transportation Equipment	16,875	32,650	8.2
Services			
Recruit Holdings (shares and long CFD)	4,260	12,651	3.2
Japan Post	7,505	7,505	1.9
Kyoritsu Maintenance	4,581	4,581	1.2
Daiei Kankyo	4,467	4,467	1.1
Total Services	20,813	29,204	7.4
Chemicals			
FP Corporation	6,093	6,093	1.6
Mistui Chemicals	6,026	6,026	1.5
Aica Kogyo	5,272	5,272	1.3
Kuraray	4,478	4,478	1.1

Nippon Soda	4,438	4,438	1.1
Zacros	2,550	2,550	0.7
Total Chemicals	28,857	28,857	7.3
Insurance			
Tokio Marine (shares and long CFD)	5,965	11,253	2.8
T&D Holdings	8,281	8,281	2.1
Total Insurance	14,246	19,534	4.9
Construction			
Sanki Engineering	7,106	7,106	1.8
Infroneer	5,976	5,976	1.5
Nippon Densetsu Kogyo	3,929	3,929	1.0
Total Construction	17,011	17,011	4.3
Glass & Ceramics Products			
Niterra	8,687	8,687	2.2
Nichias	5,831	5,831	1.5
Total Glass & Ceramics Products	14,518	14,518	3.7
Foods			
Asahi Breweries	8,737	8,737	2.2
Nichirei	5,613	5,613	1.4
Total Foods	14,350	14,350	3.6

	Fair Value	Portfolio Exposure	
	£'000	£'000	%[1]
Wholesale trade			
Mitsui & Co. (shares and long CFD)	2,843	7,860	2.0
Doshisha	3,477	3,477	0.9
Trusco Nakayama	2,715	2,715	0.7
Total Wholesale trade	9,035	14,052	3.6
Retail Trade			
Yaoko	4,478	4,478	1.1
Isetan	4,359	4,359	1.1
Nippon Gas	3,320	3,320	0.9
Total Retail Trade	12,157	12,157	3.1
Real Estate			
Mitsui Fudosan	7,120	7,120	1.8
Park24	2,961	2,961	0.7
Total Real Estate	10,081	10,081	2.5
Other Financing Business			
Orix	9,524	9,524	2.4
Total Other Financing Business	9,524	9,524	2.4
Nonferrous Metal			
Fujikura	8,970	8,970	2.3
Total Nonferrous Metal	8,970	8,970	2.3
Pharmaceutical			
Takeda Pharmaceutical (Shares and long CFD)	4,405	8,202	2.1
Total Pharmaceutical	4,405	8,202	2.1
Iron & Steel			
Nippon Steel	7,650	7,650	1.9
Total Iron & Steel	7,650	7,650	1.9
Securities			
Integral	3,071	3,071	0.8
Total Securities	3,071	3,071	0.8
Precision Instruments			
Rigaku	2,451	2,451	0.6
Total Precision Instruments	2,451	2,451	0.6
Rubber Products			
Yokohama Rubber	1,081	1,081	0.2

	Fair Value £'000	Portfolio Exposure £'000	%[1]
Total Rubber Products	1,081	1,081	0.2
Total investments and financial derivative instruments - portfolio exposure		395,877	100.0
Total investments and financial derivative instruments - fair value	330,547		

1 Portfolio exposure is expressed as a percentage of total investments and financial derivative instruments.
2 The portfolio of investments is categorized using the Tokyo Stock Exchange (TSE) sectors, which are part of the TOPIX Sector Indices.

INTERIM MANAGEMENT STATEMENT

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties with the Company's business fall into the following risk categories: strategic; investment management; financial and currency; custody; gearing and leverage; accounting, legal and regulatory; service provider; and cyber. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 22 and 24 of the Company's published annual report and financial statements for the year ended 31 July 2024.

These risks and uncertainties have not materially changed during the six months ended 31 January 2025. However, the Board undertook a review of principal and emerging risks for the Company while reviewing this report. The Directors noted a wider set of technology risks, plus added the impact of climate change factors into investment performance and these risks will be reported on in the next annual report as appropriate.

GOING CONCERN
Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 24 of the published annual report and financial statements for the year ended 31 July 2024, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

RELATED PARTY TRANSACTIONS
There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 January 2025.

DIRECTORS' RESPONSIBILITY STATEMENT
In respect of the half year report for the six months ended 31 January 2025, we confirm that, to the best of our knowledge:

- the condensed set of Financial Statements contained within have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company as at 31 January 2025, as required by the Disclosure Guidance and Transparency Rule 4.2.4R;

- the half year report includes a fair review as required by the Disclosure Guidance and Transparency Rule 4.2.7R, of important events that have occurred during the six months to 31 January 2025, and their impact on the condensed set of Financial Statements, and a description of the principal and emerging risks for the remaining six months of the financial year; and

- the half year report includes a fair review of the information concerning related party transactions as required by the Disclosure Guidance and Transparency Rule 4.2.8R.

The half year report has not been reviewed or audited by the Company's auditors.

The half year report for the six months ended 31 January 2025 was approved by the Board and the above Responsibilities Statement has been signed on its behalf.

FINANCIAL

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 JANUARY 2025 (UNAUDITED)

		(Unaudited) For the six months ended 31 January 2025			(Unaudited) For the six months ended 31 January 2024			(Audited) For the yea ended 31 July 2	
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000
Gains on investments held at fair value through profit or loss		-	6,878	6,878	-	27,118	27,118	-	52,343
Net gains on derivative contracts		-	2,404	2,404		-	-	-	929
Net foreign currency gains		-	127	127	-	684	684	-	3,055
Income from investments		4,961	-	4,961	4,209	-	4,209	8,917	-
Other interest receivable and similar income		42	-	42	39	-	39	54	-
Gross return		5,003	9,409	14,412	4,248	27,802	32,050	8,971	56,327
Investment management fee		(341)	(795)	(1,136)	(329)	(768)	(1,097)	(705)	(1,644

Administrative expenses		(394)	-	(394)	(354)	-	(354)	(715)	-
Net return before finance costs and taxation		4,268	8,614	12,882	3,565	27,034	30,599	7,551	54,683
Finance costs		(47)	(111)	(158)	(41)	(96)	(137)	(94)	(221
Net return before taxation		4,221	8,503	12,724	3,524	26,938	30,462	7,457	54,462
Taxation	3	(438)	-	(438)	(421)	-	(421)	(892)	-
Net return after taxation		3,783	8,503	12,286	3,103	26,938	30,041	6,565	54,462
Return per share (pence)	4	3.25	7.30	10.55	2.60	22.56	25.16	5.53	45.85

The "Total" column of this statement is the profit and loss account of the Company. The "Revenue" and "Capital" columns represent supplementary information prepared under guidance issued by The Association of Investment Companies. The Company has no other items of other comprehensive income and therefore the net return after taxation is also the total comprehensive income for the period.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 JANUARY 2025 (UNAUDITED)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
At 31 July 2024		11,845	7	656	3	80,718	249,597	8,062	350,888
Repurchase of the Company's own shares into treasury		-	-	-	-	(4,094)	-	-	(4,094)
Net return after taxation		-	-	-	-	-	8,503	3,783	12,286
Dividend paid in the period	5	-	-	-	-	-	(4,499)	(11,329)	(15,828)
At 31 January 2025		11,845	7	656	3	76,624	253,601	516	343,252

FOR THE SIX MONTHS ENDED 31 JANUARY 2024 (UNAUDITED)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
At 31 July 2023		11,990	7	511	3	86,878	195,135	7,936	302,460
Repurchase of the Company's own shares for cancellation		(138)	-	138	-	(3,250)	-	-	(3,250)
Net return after taxation		-	-	-	-	-	26,938	3,103	30,041
Dividend paid in the period	5	-	-	-	-	-	-	(6,439)	(6,439)
At 31 January 2024		11,852	7	649	3	83,628	222,073	4,600	322,812

FOR THE YEAR ENDED 31 JULY 2024 (AUDITED)

	Note	Called-up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
At 31 July		11,990	7	511	3	86,878	195,135	7,936	302,460

At 31 July 2023		11,990	7	511	3	86,878	195,135	7,936	302,460
Repurchase of the Company's own shares for cancellation		(145)	-	145	-	(3,426)	-	-	(3,426)
Repurchase of the Company's own shares into treasury		-	-	-	-	(2,734)	-	-	(2,734)
Net return after taxation		-	-		-	-	54,462	6,565	61,027
Dividend paid in the period	5	-	-	-	-	-	-	(6,439)	(6,439)
At 31 July 2024		11,845	7	656	3	80,718	249,597	8,062	350,888

STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2025 (UNAUDITED)

	Note	(Unaudited) At 31 January 2025 £'000	(Unaudited) At 31 January 2024 £'000	(Audited) At 31 July 2024 £'000
Fixed assets				
Investments held at fair value through profit or loss		328,885	365,629	353,898
Current assets				
Debtors		2,041	1,968	2,382
Cash and cash equivalents		14,201	1,037	7,396
Derivative financial instruments held at fair value through profit or loss		1,819	-	1,343
		18,061	3,005	11,121
Current liabilities				
Creditors: amounts falling due within one year	6	(2,798)	(45,822)	(13,179)
Amounts held at derivative clearing houses and brokers		(739)	-	(538)
Derivative financial instruments held at fair value through profit or loss		(157)	-	(414)
		(3,694)	(45,822)	(14,131)
Net current assets		14,367	(42,817)	(3,010)
Total assets less current liabilities		343,252	322,812	350,888
Net assets		343,252	322,812	350,888
Capital and reserves				
Called-up share capital	7	11,845	11,852	11,845
Share premium		7	7	7
Capital redemption reserve		656	649	656
Warrant exercise reserve		3	3	3
Share purchase reserve		76,624	83,628	80,718
Capital reserve		253,601	222,073	249,597
Revenue reserve		516	4,600	8,062
Total equity shareholders' funds		343,252	322,812	350,888
Net asset value per share (pence)	8	296.46	272.36	298.88

Registered in England and Wales as a public company limited by shares.

Company Registration Number: 02930057

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS
The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's independent auditor.

The figures and financial information for the year ended 31 July 2024 are extracted from the latest published financial statements of the Company and do not constitute statutory financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. ACCOUNTING POLICIES
Basis of accounting

Basis of accounting
The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, in particular with Financial Reporting Standard 104 "Interim Financial Reporting" and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies in July 2022.

All of the Company's operations are of a continuing nature.

The accounting policies applied to these financial statements are consistent with those applied in the financial statements for the year ended 31 July 2024.

3. TAXATION ON ORDINARY ACTIVITIES
The Company's effective corporation tax rate is nil, as deductible expenses exceed taxable income. The tax charge comprises irrecoverable overseas withholding tax.

4. RETURN PER SHARE

	(Unaudited) For the six months ended 31 January 2025 £'000	(Unaudited) For the six months ended 31 January 2024 £'000	(Audited) Year ended 31 July 2024 £'000
Revenue return	3,783	3,103	6,565
Capital return	8,503	26,938	54,462
Total return	12,286	30,041	61,027
Weighted average number of shares in issue during the period	116,412,443	119,383,962	118,779,949
Revenue return per share (pence)	3.25	2.60	5.53
Capital return per share (pence)	7.30	22.56	45.85
Total return per share (pence)	10.55	25.16	51.38

5. DIVIDENDS PAID

	(Unaudited) Six months ended 31 January 2025 £'000	(Unaudited) Six months ended 31 January 2024 £'000	(Audited) Year ended 31 July 2024 £'000
2024 final dividend paid of 10.81p (2023: 5.4p)	12,561	6,439	12,691
First interim dividend of 2.82p (2024: nil)	3,267	-	-
Total dividends paid in the period	15,828	6,439	12,691

The 2024 final dividend amounted to £12,691,000. However the amount actually paid was £12,561,000 as shares were repurchased and held in treasury, after the accounting date, but prior to the dividend Record Date.

A second interim dividend of 2.89p (2024: nil) per share, amounting to £3,350,000 (2024: nil) has been declared in respect for the year ending 31 July 2025.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	(Unaudited) 31 January 2025 £'000	(Unaudited) 31 January 2024 £'000	(Audited) 31 July 2024 £'000
Securities purchased awaiting settlement	1,865	1,486	1,943
Repurchase of ordinary shares into treasury awaiting settlement	160	-	109
Other creditors and accruals	773	1,359	778
Bank loan	-	42,977	10,349
	2,798	45,822	13,179

The company has a yen 1.0 billion credit facility available from Sumitomo Mitsui Banking Corporation, London Branch, which was undrawn at the period end (2024: yen 2.0 billion).

7. CALLED-UP SHARE CAPITAL

	(Unaudited) Six months ended 31 January 2025 £'000	(Unaudited) Six months ended 31 January 2024 £'000	(Audited) Year ended 31 July 2024 £'000
Opening balance of ordinary shares of 10p each, excluding shares held in treasury	11,740	11,990	11,990
Repurchase and cancellation of shares	-	(138)	(145)
Repurchase of shares held in treasury	(162)	-	(105)
Subtotal of shares in issue, excluding shares held in treasury	11,578	11,852	11,740
Shares held in treasury	267	-	105
Closing balance of shares in issue of 10p each	11,845	11,852	11,845

Changes in the number of shares in issue during the period were as follows:

	(Unaudited) Six months ended 31 January 2025 £'000	(Unaudited) Six months ended 31 January 2024 £'000	(Audited) Year ended 31 July 2024 £'000
Ordinary shares of 10p each, allotted, called-up and fully paid:			
Opening balance of shares in issue, excluding shares held in treasury	117,400,528	119,903,965	119,903,965
Repurchase and cancellation of shares	-	(1,381,226)	(1,450,679)
Repurchase of shares held in treasury	(1,617,260)	-	(1,052,758)
Closing balance of shares in issue, excluding shares held in treasury	115,783,268	118,522,739	117,400,528
Shares held in treasury	2,670,018	-	1,052,758
Closing balance of shares in issue	118,453,286	118,522,739	118,453,286

8. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing shareholders' funds by the number of shares in issue (excluding shares held in treasury) of 115,783,268 (31 January 2024: 118,522,739 and 31 July 2024: 117,400,528).

9. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

FRS 102 requires financial instruments to be categorised into a hierarchy consisting of the three levels below.

Level 1 - valued using unadjusted quoted prices in active markets for identical assets.
Level 2 - valued using observable inputs other than quoted prices included within Level 1.
Level 3 - valued using inputs that are unobservable.

The following table sets out the fair value measurements using the FRS 102 hierarchy above:

31 January 2025 (Unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	328,885	-	-	328,885
Derivative financial instruments - contracts for difference - CFD assets	-	1,819	-	1,819
Derivative financial instruments - contracts for difference - CFD liabilities	-	(157)	-	(157)
Total	328,885	1,662	-	330,547

31 January 2024 (Unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	365,629	-	-	365,629
Total	365,629	-	-	365,629

31 July 2024 (Audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial instruments held at fair value through profit or loss				
Equity investments	353,898	-	-	353,898
Derivative financial instruments - contracts for difference - CFD assets	-	1,343	-	1,343
Derivative financial instruments - contracts for difference - CFD liabilities	-	(414)	-	(414)
Total	353,898	929	-	354,827

10. EVENTS AFTER THE INTERIM PERIOD THAT HAVE NOT BEEN REFLECTED IN THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD

The Directors have evaluated the period since the interim date and have not noted any significant events which have not been reflected in the financial statements.

OTHER INFORMATION

ALTERNATIVE PERFORMANCE MEASURES ("APMS") AND DEFINITIONS OF FINANCIAL TERMS

The terms and performance measures below are those commonly used by investment companies to assess values, investment performance and operating costs. Numerical calculations are given where relevant. Some of the financial measures below are classified as APMs as defined by the European Securities and Markets Authority. Under this definition, APMs include a financial measure of historical financial performance or financial position, other than a financial measure defined or specified in the applicable financial reporting framework. APMs have been marked with an asterisk (*).

NET ASSET VALUE ("NAV") PER SHARE
The NAV per share of 296.46p (31 July 2024: 298.88p) represents the net assets attributable to equity shareholders of £343,252,000 (31 July 2024: £350,888,000) divided by the number of shares in issue of 115,783,268 (31 July 2024: 117,400,528).

The change in the NAV amounted to -0.8% (year ended 31 July 2024: +18.5%) over the period. However, this performance measure excludes the positive impact of dividends paid out by the Company during the period. When these dividends are factored into the calculation, the resulting performance measure is termed the "total return". Total return calculations and definitions are given below.

TOTAL RETURN*
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV per share. Total return statistics enable the investor to make performance comparisons between investment companies with different dividend policies. Any dividends received by a shareholder are assumed to have been reinvested in either the assets of the Company at its NAV per share at the time the shares were quoted ex-dividend (to calculate the NAV per share total return) or in additional shares of the Company (to calculate the share price total return).

The NAV total return for the period ended 31 January 2025 is calculated as follows:

Opening NAV at 31/7/24				298.88p
Closing NAV at 31/1/25				296.46p
Dividend received	XD date	NAV on XD date	Factor	Cumulative Factor
10.81p	7/11/24	282.32p	1.038	1.038
2.82p	2/1/25	296.50p	1.010	1.048
NAV Total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV:				4.0%

The NAV total return for the year ended 31 July 2024 is calculated as follows:

Opening NAV at 31/7/23				252.25p
Closing NAV at 31/7/24				298.88p
Dividend received	XD date	NAV on XD date	Factor	Cumulative Factor
5.40p	2/11/23	250.95p	1.022	1.022
NAV Total return, being the closing NAV, multiplied by the cumulative factor, expressed as a percentage change in the opening NAV:				21.0%

The share price total return for the period ended 31 January 2025 is calculated as follows:

Opening Share price at 31/7/24				266.00p
Closing Share price at 31/1/25				260.00p
Dividend received	XD date	Share Price on XD date	Factor	Cumulative Factor
10.81p	7/11/24	244.00p	1.044	1.044
2.82p	2/1/25	261.00p	1.011	1.056
Share price total return, being the closing share price, multiplied by the cumulative factor, expressed as a percentage change in the opening share price:				3.2%

The share price total return for the year ended 31 July 2024 is calculated as follows:

Opening NAV at 31/7/23				252.25p
Closing NAV at 31/7/24				298.88p
Dividend received	XD date	Share Price on XD date	Factor	Cumulative Factor
5.40p	2/11/23	250.95p	1.022	1.022
Share price total return, being the closing share price, multiplied by the factor, expressed as a percentage change in the opening share price:				16.1%

BENCHMARK
The measure against which the Company compares its performance. The Benchmark is now named Tokyo Stock Price Index Total Return since April 4, 2022, previously known as TSE First Section Total Return Index.

DISCOUNT/PREMIUM*
The amount by which the share price of an investment trust is lower (discount) or higher (premium) than the NAV per share. If shares are trading at a discount, investors would be paying less than the value attributable to the shares by reference to the underlying assets. A premium or discount is generally the consequence of supply and demand for the shares on the stock market. The discount or premium is expressed as a percentage of the NAV per share. The discount at the period end amounted to 12.3% (31 July 2024: 11.0%), as the closing share price at 260.00p (31 July 2024: 266.00p) was 12.3% (31 July 2024: 11.0%) lower than the closing NAV of 296.46p (31 July 2024: 298.88p).

GEARING*

Gearing is the total portfolio exposure which is defined as the amount by which portfolio exposure exceeds the net asset values expressed as percentages of net asset value. The total portfolio exposure will not exceed 125% of the net asset value.

If assets rise in value, gearing magnifies the return to ordinary shareholders. Correspondingly, if assets fall in value, gearing magnifies that fall. Contracts for Difference are used as a way of gaining exposure to the price movements of shares without buying the underlying
shares directly.

	31 January 2025 Portfolio exposure		31 July 2024 Portfolio exposure	
	£'000	%	£'000	%
Investments at fair value	328,885	95.8	353,898	100.9
CFD notional market value[1]	66,992	19.5	48,694	13.9
Total portfolio exposure	395,877	115.3	402,592	114.8
Net assets	343,252		350,888	
Total portfolio exposure		15.3		14.8

1 The notional market value of a CFD represents the total value of the underlying asset of the CFD contract.

LEVERAGE*

For the purpose of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as the ratio of the Company's exposure to its net asset value and is required to be calculated both on a "Gross" and a "Commitment" method. Under the Gross method, exposure represents the sum of the absolute values of all positions, so as to give an indication of overall exposure. Under the Commitment method, exposure is calculated in a similar way, but after netting off hedges which satisfy certain strict criteria.

The Company's leverage policy and details of its leverage ratio calculation and exposure limits as required by the AIFM Directive are published on the Company's webpages and within this report. The Company is also required to publish periodically its actual leverage exposures. As at 31 January 2025 these were:

Leverage exposure	Maximum ratio	Actual ratio
Gross method	200.00%	137.8
Commitment method	200.00%	130.4

ONGOING CHARGES*

Ongoing Charges is calculated in accordance with the AIC's recommended methodology and represents the management fee and all other operating expenses excluding finance costs and transaction costs, amounting to £3,038,000 (31 July 2024: £3,064,000), expressed as a percentage of the average daily "net asset values" during the year of £333.7 million (31 July 2024: £320.9 million).

SHAREHOLDER INFORMATION

WARNING TO SHAREHOLDERS

Companies are aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares or investments.

These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive.

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FCA before getting involved by visiting https://register.fca.org.uk/s/
- Report the matter to the FCA by calling 0800 111 6768 or visiting https://www.fca.org.uk/consumers/report-scam
- Do not deal with any firm that you are unsure about

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

The FCA provides a list of unauthorised firms of which it is aware, which can be accessed at https://www.fca.org.uk/consumers/unauthorised-firmsindividuals#list.

More detailed information on this or similar activity can be found on the FCA website at https://www.fca.org.uk/consumers/protectyourself-scams.

DIVIDENDS

Paying dividends into a bank or building society account helps reduce the risk of fraud and will provide you with quicker access to your funds than payment by cheque.

Applications for an electronic mandate can be made by contacting the Registrar, Equiniti.

This is the most secure and efficient method of payment and ensures that you receive any dividends promptly.

If you do not have a UK bank or building society account, please contact Equiniti for details of their overseas payment service.

Further information can be found at www.shareview.co.uk, including how to register with Shareview Portfolio and manage your shareholding online.

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